



November 4, 2013

Mrs. Ann E. Schiele, President
Mount Carmel College of Nursing
127 South Davis Avenue
Columbus, OH 62946-4925

Certified Mail
Return Receipt Requested
Domestic Return Receipt #
7012 1640 0000 0567 7040

RE: **Final Program Review Determination**
OPE ID: 03071900
PRCN: 2013-2-05-28433

Dear Mrs. Schiele:

The U.S. Department of Education's (Department) Chicago/Denver School Participation Division issued a program review announcement and file review request on February 6, 2013 covering Mount Carmel College of Nursing's (MCCN's) administration of the Federal Direct Loan program for the 2010-2011 award year. MCCN's final response was received on June 18, 2013. A copy of the program review announcement and file review request is attached. Any supporting documentation submitted as part of MCCN's response is being retained by the Department and is available for inspection by MCCN upon request. Additionally, this Final Program Review Determination (FPRD), related attachments, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this FPRD is issued.

Purpose:

Final determinations have been made concerning all of the outstanding findings of the program review report. The purpose of this letter is to: (1) identify liabilities resulting from the findings of this program review report, (2) provide instructions for payment of liabilities to the Department, and (3) notify the institution of its right to appeal.

The total liabilities due from the institution from this program review are \$2,734.01.

This final program review determination contains detailed information about the liability determination for all findings.

Protection of Personally Identifiable Information (PII):

PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. To protect PII, the findings in the attached report do not contain any student PII. Instead, **each** finding references students only by a student number created by Federal Student Aid. The student numbers are detailed in Appendixes A and B.

Appeal Procedures:

This constitutes the Department's FPRD with respect to the liabilities identified from the February 6, 2013 file review request. If MCCN wishes to appeal to the Secretary for a review of financial liabilities established by the FPRD, the institution must file a written request for an administrative hearing. Please note that institutions may appeal financial liabilities only. The Department must receive the request no later than 45 days from the date MCCN receives this FPRD. An original and four copies of the information MCCN submits must be attached to the request. The request for an appeal must be sent to:

Ms. Mary E. Gust, Director
Administrative Actions and Appeals Service Group
U.S. Department of Education
Federal Student Aid/PC
830 First Street, NE - UCP3, Room 84F2
Washington, DC 20002-8019

MCCNs appeal request must:

- (1) Indicate the findings, issues and facts being disputed;
- (2) State the institution's position, together with pertinent facts and reasons supporting its position;
- (3) Include all documentation it believes the Department should consider in support of the appeal. An institution may provide detailed liability information from a complete file review to appeal a projected liability amount. Any documents relative to the appeal that include PII data must be redacted except the student's name and last four digits of his / her social security number (please see the attached document, "Protection of Personally Identifiable Information," for instructions on how to mail "hard copy" records containing PII); and
- (4) Include a copy of the FPRD. The program review control number (PRCN) must also accompany the request for review.

If the appeal request is complete and timely, the Department will schedule an administrative hearing in accordance with § 487(b)(2) of the HEA, 20 U.S.C. § 1094(b)(2). The procedures followed with respect to MCCN's appeal will be those provided in 34 C.F.R. Part 668, Subpart H. **Interest on the appealed liabilities shall continue to accrue at the applicable value of funds rate, as established by the United States Department of Treasury, or if the liabilities are for refunds, at the interest rate set forth in the loan promissory note(s).**

Record Retention:

Program records relating to the period covered by the program review must be retained until the later of: resolution of the loans, claims or expenditures questioned in the program review; or the end of the retention period otherwise applicable to the record under 34 C.F.R. §§ 668.24(e)(1), (e)(2), and (e)(3).

The Department expresses its appreciation for the courtesy and cooperation extended during the review. If the institution has any questions regarding this letter, please contact Michael E. Powers at (312) 730-1729. Questions relating to any appeal of the FPRD should be directed to the address noted in the Appeal Procedures section of this letter.

Sincerely,

(b)(6); (b)(7)(C)

Douglas A. Parrott
Division Director

Enclosure: Protection of Personally Identifiable Information

cc: Alynia Bowen, Director, Financial Aid
Ohio Board of Regents
Ohio Board of Nursing
North Central Association of Colleges and Schools

PROTECTION OF PERSONALLY IDENTIFIABLE INFORMATION

Personally Identifiable Information (PII) being submitted to the Department must be protected. PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth).

PII being submitted electronically or on media (e.g., CD-ROM, floppy disk, DVD) must be encrypted. The data must be submitted in a .zip file encrypted with Advanced Encryption Standard (AES) encryption (256-bit is preferred). The Department uses WinZip. However, files created with other encryption software are also acceptable, provided that they are compatible with WinZip (Version 9.0) and are encrypted with AES encryption. Zipped files using WinZip must be saved as Legacy compression (Zip 2.0 compatible).

The Department must receive an access password to view the encrypted information. The password must be e-mailed separately from the encrypted data. The password must be 12 characters in length and use three of the following: upper case letter, lower case letter, number, special character. A manifest must be included with the e-mail that lists the types of files being sent (a copy of the manifest must be retained by the sender).

Hard copy files and media containing PII must be:

- sent via a shipping method that can be tracked with signature required upon delivery
- double packaged in packaging that is approved by the shipping agent (FedEx, DHL, UPS, USPS)
- labeled with both the "To" and "From" addresses on both the inner and outer packages
- identified by a manifest included in the inner package that lists the types of files in the shipment (a copy of the manifest must be retained by the sender).

PII data cannot be sent via fax.

Prepared for
Mount Carmel College of Nursing



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OPE ID 03071900
PRCN 2013-2-05-28433

Prepared by
U.S. Department of Education
Federal Student Aid
Chicago/Denver School Participation Division

Final Program Review Determination 11/4/2013

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A. Institutional Information

Mount Carmel College of Nursing
 127 South Davis Avenue
 Columbus, OH 43222-1598

Type: private, non-profit

Highest Level of Offering: Master's Degree or Doctorate

Accrediting Agency: North Central Association of Colleges and Schools

Current Student Enroliment: 1,266 (2012-2013)

% of Students Receiving Title IV, HEA funds: 61% (2012-2013)

Title IV Participation (G5):	<u>2012-2013</u>
Federal Pell Grant (Pell)	\$909,636.00
William D. Ford Federal Direct Loan Program (Direct Loan)	\$7,938,060.00
Federal Supplemental Educational Opportunity Grant (FSEOG)	\$31,356.00

Direct Loan Default Rate:	2011	2.1%
	2010:	1.6%
	2009:	1.5%

B. Scope of Review

The U.S. Department of Education (the Department) conducted an off-site, focused program review at Mount Carmel College of Nursing (MCCN) beginning on February 6, 2013. The review was conducted by Michael E. Powers.

The focus of the review was on MCCN's administration of the Direct Loan program, specifically the origination and disbursement processes in MCCN's first year of participation in the Direct Loan program. Prior to the 2010-2011 award year, MCCN previously participated under the Federal Family Education Loan (FFEL) program. The program review consisted of a full file review of all Direct Loan recipients in the 2010-2011 award year.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning MCCN's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve MCCN of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

C. Findings and Final Determinations

Findings with Final Determinations

The findings requiring further action are summarized below. At the conclusion of each finding is a summary of MCCN's response to the finding, and the Department's final determination for that finding. A copy of the file review request issued on February 6, 2013 is attached as Appendix C.

Finding 1 – Improper Origination of Direct Loans

Citation: A school that participates under school origination option 1 or standard origination must submit the initial disbursement record for a loan to the Secretary no later than 30 days following the date of the initial disbursement. The school must submit subsequent disbursement records, including adjustment and cancellation records, to the Secretary no later than 30 days following the date the disbursement, adjustment, or cancellation is made.

[34 C.F.R. § 685.301]

Noncompliance: Origination and disbursement records for a number of Direct Loan recipients were not accurately processed as required in the Department's Common Origination and Disbursement (COD) system. Certain origination and disbursement records were created in COD, but not accepted by the system, and remained in a pending status. It appears that MCCN was not completing monthly Direct Loan reconciliation, because this systemic error was not corrected until MCCN was contacted by the Direct Loans division of the Department during the close-out process for the 2010-2011 award year.

MCCN's Response: In response to the File Review Request letter, MCCN completed the required file review of all Direct Loan recipients in the 2010-2011 award year.

Final Determination: MCCN failed to correct loan origination and disbursement records that were rejected by the COD system in a timely manner. The result was that origination and disbursement records for some students were not accepted by the system until after they separated from the institution and entered into repayment status. In these cases, students were not afforded the opportunity to include the missing loans in consolidation or to prevent interest from accruing by having the missing loans included in their monthly payment. Upon release of the origination and disbursement records in the COD system, and upon receipt by loan servicers, the loan records immediately appeared to be delinquent, because none of the payments the students made were applied to these loans. The unpaid interest on these loans from the original disbursement date was capitalized and added to the student's outstanding balance.

MCCN's file review revealed that the following students had loans that were not released until after the student entered repayment.

No.	Disbursed Amount	Program	COD Disb Date	Student Entered Repayment	COD Process Date	Days Late
79	\$2,323.00	DL Unsub	05/17/10	06/18/11	01/03/12	199
79	\$1,160.00	DL Unsub	05/17/10	06/18/11	05/23/12	340
79	\$2,322.00	DL Unsub	08/24/10	06/18/11	01/03/12	199
79	\$1,161.00	DL Unsub	08/24/10	06/18/11	05/23/12	340
230	\$1,825.00	DL Sub	05/17/10	11/11/11	05/23/12	194
230	\$1,824.00	DL Sub	08/24/10	11/11/11	05/23/12	194
230	\$1,824.00	DL Sub	01/07/11	11/11/11	05/23/12	194
413	\$1,825.00	DL Sub	05/17/10	11/07/11	05/23/12	198
413	\$1,824.00	DL Sub	08/24/10	11/07/11	05/23/12	198
413	\$1,824.00	DL Sub	01/07/11	11/07/11	05/23/12	198
425	\$3,483.00	DL Unsub	05/17/10	01/31/11	05/23/12	478
425	\$3,483.00	DL Sub	05/17/10	01/31/11	05/23/12	478
471	\$1,825.00	DL Sub	05/17/10	11/11/11	05/23/12	194
471	\$1,824.00	DL Sub	08/24/10	11/11/11	05/23/12	194
471	\$1,824.00	DL Sub	01/07/11	11/11/11	05/23/12	194

MCCN is liable for the interest costs associated with the above-noted disbursements from the date the student entered repayment, which was 6 months after the student separated from MCCN, to the date the loans were finally processed and accepted in COD and sent to the National Student Loan Database System (NSLDS) and the loan servicers. A copy of the interest liability calculation is included in Appendix A: Liability Detail – Improper Origination of a Direct Loan.

The total amount of liabilities owed as a result of this finding is:

Federal Direct Loan	
Interest due Students	\$1,050.01

Finding 2 – Late Payment/Credit of Title IV Funds

Citation: An institution shall establish and maintain, on a current basis, any application for title IV, HEA program funds and program records that document its disbursement and delivery of title IV, HEA program funds. The Department considers an institution to have made a disbursement of title IV, HEA program funds on the date that the institution credits a student's account at the institution or pays a student or parent directly with funds received from the Secretary, funds received from a lender under the FFEL Programs, or institutional funds used in advance of receiving title IV, HEA program funds. The records that an institution must maintain include but are not limited to documentation relating to each student's or parent borrower's receipt of title IV, HEA program funds, including but not limited to documentation of the amount of the grant, loan, or FWS award; its payment period; its loan period, if appropriate; and the calculations used to determine the amount of the grant, loan, or FWS award, the date and amount of each disbursement or delivery of grant or loan funds, and the date and amount of each payment of FWS wages, the amount, date, and basis of the institution's calculation of any refunds or overpayments due to or on behalf of the student, or the treatment of title IV, HEA program funds when a student withdraws; and the payment of any overpayment or the return of any title IV, HEA program funds to the title IV, HEA program fund, a lender, or the Secretary, as appropriate.

[34 C.F.R. § 668.24]

[34 C.F.R. § 668.164]

Noncompliance: Disbursement records for Direct Loan recipients were not accurately recorded as required in the Common Origination and Disbursement (COD) system. MCCN recorded disbursements for Direct Loan recipients in COD, which increased MCCN's authorization to draw funds for those recipients from the Department's G5 system. Upon an increase in authorization, the Department assumes that institutions will draw and deliver funds to eligible students in the near future, and the Department borrows money from the Treasury to have cash on hand to cover the authorized amounts.

However, upon reviewing student account cards, the actual disbursement dates for Direct Loan recipients were often times days, weeks, or months later than the disbursements recorded in the COD system. The Department, in these cases, borrowed money from the Treasury for funds which were not delivered to students in a timely manner. MCCN is therefore liable for the unnecessary interest expense incurred by the Department for these late-delivered funds.

MCCN's file review revealed that 423 students had 853 loan disbursements recorded in COD, yet not disbursed to students' account ledgers within the 3-day timeframe that is allowed under the advance payment method. The Department uses the U.S. Treasury Current Value Funds Rate (CVFR) to calculate the cost of funds for late payment of Title IV funds. A copy of the interest liability calculation is included in Appendix B: Liability Detail – Late Payment/Credit of Title IV Funds.

The total amount of liabilities owed to the Department as a result of this finding is:

Federal Direct Loan

Interest due The Department

\$1,684.00

D. Summary of Liabilities

The total amount calculated as liabilities from the findings in the program review determination is as follows.

Liabilities	DL / FFEL	
Finding 1	\$1,050.01	
Finding 2	\$1,684.00	
Subtotal 1	\$2,734.01	
Interest/SA	-	
Excess Cash	-	
ACA		
Subtotal 2	\$0	
TOTAL	\$2,734.01	
Payable To:		Totals
Department	\$1,684.00	\$1,684.00
Students	\$1,050.01	\$1,050.01
Lenders	\$0	\$0
Inst Accounts		\$0

E. Payment Instructions

1. Liabilities Owed to the Department

Liabilities Owed to the Department \$1,000 or More but Less Than \$100,000

MCCN owes to the Department \$1,684.00. Payment must be made by forwarding a check made payable to the "U.S. Department of Education" to the following address within 45 days of the date of this letter:

U.S. Department of Education
 P.O. Box 979026
 St. Louis, MO 63197-9000

Remit checks only. Do not send correspondence to this address.

Payment must be made via check and sent to the above Post Office Box. Payment and/or adjustments made via GS will not be accepted as payment of this liability. Instead, the school must first make any required adjustments in COD as required by the applicable finding(s) and Section II – Instructions by Title IV, HEA Program (below), remit payment,

and upon receipt of payment the Department will apply the funds to the appropriate G5 award (if necessary).

The following identification data must be provided with the payment:

Amount:	\$1,684.00
DUNS:	Institution's DUNS number
TIN:	9-digit tax identification number
Program Review Control Number:	2013-2-05-28433

Terms of Payment

As a result of this final determination, the Department has created a receivable for this liability and payment must be received by the Department within **45 days of the date of this letter**. If payment is not received within the 45-day period, interest will accrue in monthly increments from the date of this determination, on the amounts owed to the Department, at the current value of funds rate in effect as established by the Treasury Department, until the date of receipt of the payment. MCCN is also responsible for repaying any interest that accrues. If you have any questions regarding interest accruals or payment credits, contact the Department's Accounts Receivable Group at (202) 245-8080 and ask to speak to MCCN's account representative.

If full payment cannot be made within **45 days** of the date of this letter, contact the Department's Accounts Receivable Group to apply for a payment plan. Interest charges and other conditions apply. Written request may be sent to:

U.S. Department of Education
OCFO Financial Management Operations
Accounts Receivable Group
550 12th Street, S.W., Room 6114
Washington, DC 20202-4461

If within 45 days of the date of this letter, MCCN has neither made payment in accordance with these instructions nor entered into an arrangement to repay the liability under terms satisfactory to the Department, the Department intends to collect the amount due and payable by administrative offset against payments due MCCN from the Federal Government. **MCCN may object to the collection by offset only by challenging the existence or amount of the debt.** To challenge the debt, MCCN must **timely appeal** this determination under the procedures described in the "Appeal Procedures" section of the cover letter. The Department will use those procedures to consider any objection to offset. **No separate appeal opportunity will be provided.** If a timely appeal is filed, the Department will defer offset until completion of the appeal, unless the Department determines that offset is necessary as provided at 34 C.F.R. § 30.28. This debt may also be referred to the Department of the Treasury for further action as authorized by the Debt Collection Improvement Act of 1996.

2. Liabilities Owed to Students

Finding: 1

Appendix: Appendix A

Students	
Amount	Award Year
\$1,050.01	2010-2011

Total	
\$1,050.01	

MCCN must make a good faith effort to pay the amount listed above directly to the students listed in Appendix A.

If the institution cannot locate the students listed in Appendix A, the institution must pay the liability due to specific students, identified in Finding 1, directly to the student's Direct Loan account. To properly identify the students for whom payment is being made the institution must identify each student's Direct Loan servicer, and include with its payment to each servicer a list of the students and amounts identified in Appendix A. In addition, to ensure that each student's Unsubsidized/Subsidized Direct Loan receives credit for the appropriate amount, that list must include the following information for each student:

- Name
- Social Security Number
- Loan ID Number
- Loan Type (Subsidized / Unsubsidized)
- Amount of Interest Owed

MCCN must provide proof of payment to these students to Michael E. Powers within 45 days of the date of this letter. The Department will not consider this program review closed until the information requested has been received.